

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-009-G - ORDER NO. 93-982 ✓
OCTOBER 21, 1993

IN RE: Annual Review of South Carolina Electric)ORDER
 & Gas of Purchased Gas Recovery Procedures)APPROVING
 & Gas Purchasing Policies.)STIPULATION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the joint motion of the parties in this Docket for approval of a Stipulation entered into by these parties on or about October 18, 1993, regarding purchased gas recovery and gas purchasing policies of South Carolina Electric & Gas Company (SCE&G or the Company). The full text of the Stipulation is as follows:

"The Staff of the South Carolina Public Service Commission (the "Staff"), the Consumer Advocate of the State of South Carolina (the "Consumer Advocate"), and South Carolina Electric & Gas (the "Company", "SCE&G") stipulate as follows:

1. The Public Service Commission of South Carolina requires an annual review of the Purchased Gas Adjustment and the Gas Purchasing Policies of South Carolina Electric & Gas Company. The Commission requires the Commission Staff to make an annual audit of the Purchased Gas Adjustment and the purchasing policies of South Carolina Electric & Gas Company, to report to the Commission the results of the Staff's audit, and to make the results available to the Company and the Consumer Advocate upon completion.

2. The audit for the current period has been conducted and disseminated as required.

3. The Commission has ordered a public hearing concerning the annual review for the current period to commence on October 21, 1993, at 10:30 a.m. in the Commission's hearing room, 111 Doctors Circle, Columbia, South Carolina.

4. On September 22, 1993, SCE&G prefilled written direct testimony of Warren A. Darby. On October 11, 1993, testimony of Carey M. Flynt was filed in this docket.

5. In his pre-filed testimony, Mr. Darby reviewed the Gas Purchasing Policies of SCE&G since the last review conducted by the Commission. Mr. Darby testified that SCE&G's continued reliance on South Carolina Pipeline Corporation as its gas supplier is reasonable and prudent and that the continuation of the Industrial Sales Program Rider ("ISP-R") is in the best interest of SCE&G and its customers. Mr. Darby further testified that the efforts taken by SCE&G to maintain reliable gas supplies to its customers have been reasonable and prudent. Mr. Darby also discussed the industry impacts of FERC Order 636.

6. In her prefilled testimony, Mrs. Flynt testified as to SCE&G's forecasted gas cost for the period November 1993-October 1994. That forecast, as updated to reflect data available at the date of this Stipulation, would result in an increase in the Company's levelized cost of gas from \$0.41963 to \$0.48757 per therm. Mrs. Flynt testified that the reasons for the increase include a) the tariff restructuring proposed by Southern Natural Gas Company on November 1, 1993, to comply with the FERC orders

restructuring the interstate natural gas industry, principally FERC Order 636; and b) the under-recovery of gas costs by SCE&G during the last forecast period which under-recovery totals \$7,329,206.26 as of September, 1993, and which is forecasted to be \$9,430,831.88 at October 31, 1993.

7. On September 15, 1993; September 29, 1993; and October 12, 1993, representatives of the parties to this proceeding held prehearing conferences in which they conducted a thorough analysis of the Company's forecasting methodologies, the data on which the Company relied, and the assumptions made. The Company's responses to data requests were also available for review and discussion. Further, as indicated in paragraph 2, above, the Commission Staff had conducted its audit and review of purchased gas adjustments and purchasing policies. Based on the foregoing, the parties agree:

a. SCE&G's gas purchasing policies have secured adequate supplies of firm gas to meet the Company's core market needs.

b. South Carolina Pipeline Corporation can adequately supply SCE&G with its present gas needs and those needs reasonably calculated for the next 12 months, and SCE&G has secured adequate supplies for those needs.

c. SCE&G should continue to take advantage of all options available to increase the Company's average load factor, vis-a-vis its demand entitlements, and should continue to develop gas marketing plans to promote non-weather sensitive gas sales and interruptible sales.

8. Based on the above-referenced consultations among Staff, the Consumer Advocate and the Company, the Staff, the Consumer

Advocate and the Company have stipulated that a forecasted gas cost of \$0.47100 per therm provides a reasonable projection of the actual gas cost anticipated during the period November 1993 through October 1994. The parties recognize that the delay in fully adjusting the gas cost factor in order to postpone the under-recovery projected herein, may result in an under-collection of gas costs by SCE&G which, in the next gas cost review, may require a greater increase in the gas cost factor than otherwise would be necessary.

9. The parties agree that in May 1994, they will review the commodity cost of gas to SCE&G. If, at that time, such cost has been reduced by changes in conditions which reasonably lead to the conclusion that such reductions will continue for the balance of the forecast period, the Company shall meet with the parties of record in this proceeding to determine whether it is appropriate to adjust the levelized cost of gas for the remainder of the forecast period, and if it is so concluded, the Company shall request appropriate reductions.

10. The parties stipulate that SCE&G's gas purchasing practices for the period subject to review have been reasonable and prudent, given the Commission's presently approved methodology and tariffs for South Carolina Pipeline Corporation. SCE&G had complied fully with PGA requirements. The cost of gas recovery method established by this Commission (PGA) continues to be just and reasonable and in the public interest, and results in an accurate recovery of gas costs actually incurred.

11. The parties agree that, for the historic period at issue

in Docket No. 93-009-G (i.e., September 1992 - August 1993), SCE&G's gas purchasing practices and the recovery of its gas costs were undertaken in accordance with tariffs and rate schedules, including ISP-R, approved by the Commission for South Carolina Pipeline Corporation and SCE&G. The Consumer Advocate and the Commission Staff agree that they will not challenge the fact that SCE&G purchased its gas costs in accordance with such approved tariffs and rate schedules during that historic period.

12. The parties agree that for the period under review SCE&G's reliance on South Carolina Pipeline Corporation for its gas supplies is adequate to insure reliable gas service to its firm customers.

13. SCE&G agrees to continue to pursue gas marketing efforts to increase its load factor and to increase its sales to interruptible customers."

Based on the evidence submitted, the Commission believes that the terms of this Stipulation correctly summarize the procedures and testimony in this Docket, and that the terms propose reasonable relief. The Commission, therefore, believes that the Stipulation should be approved and adopted herein as the Order of the Commission.

IT IS THEREFORE ORDERED:

1. That the Stipulation entered into by the Company, the Commission Staff and the Consumer Advocate is hereby held to be fair and reasonable, and the provisions thereof, except as hereinafter noted, are hereby adopted as an Order of this Commission as stated.

2. That the hearing scheduled for October 21, 1993, at 10:30 a.m. is hereby canceled.

3. That the purchased gas adjustment of South Carolina Electric & Gas Company is hereby approved.

4. That the gas cost of \$0.47100 cents per therm shall be effective, beginning with the first billing cycle in November 1993.

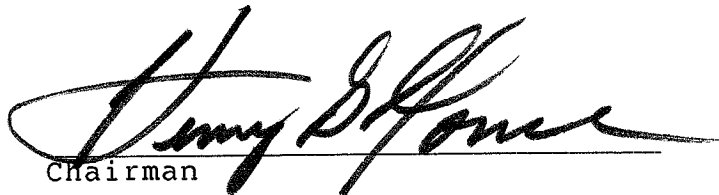
5. That the new tariff sheets and rate schedules should be filed reflecting the findings herein within five (5) days of the Company's receipt of this Order.

6. That for the period September 1992 through August 1993, SCE&G's gas purchasing practices have been reasonable, and prudent, given the Commission's presently approved methodology and tariffs for South Carolina Pipeline Corporation.

7. That a separate docket and hearing concerning Protestant Fred Mullins' concerns shall be established.

8. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)